

RESTRICTIONS ON NAP DONATIONS

Note: Official NAP Regulations (4 CSR 85-2.030 and 2.040) contain additional guidelines pertaining to procedure and required documentation for each of the eligible types of donation: cash, real estate, equipment, materials, supplies, stocks/bonds, employee labor, technical assistance and professional services.

- 1) No donation will be certified for NAP tax credits unless the project budget submitted with the NFPO's application (or as agreed to and amended by NAP) has specifically provided for the type of donation proposed. For example, a party wishes to donate a photocopier to the NFPO. No tax credit will be issued unless the project budget proposed a line item amount for a photocopier.

In addition, with the exception of donations of stock, any donation of non-cash items (goods, services, real estate, equipment, etc.) will not qualify for NAP tax credits unless the non-cash item is to be put into use by the NFPO for the approved project. Any non-cash donation made, (excluding stock) with the intent that it be resold by the NFPO will not qualify for NAP tax credits.

- 2) Only food bank organizations (i.e. organizations whose purpose is to redistribute food to other organizations and pantries) are permitted to offer NAP credit on donated food items. Value of donated items is based on a valuation formula approved by DED. Such food bank organizations may not offer NAP credit on non-edible items (e.g. paper products, personal hygiene items, household items) and may restrict the types of food items that qualify for credit.
- 3) Used clothing does not qualify for credit. Only new items donated by clothing manufacturers, distributors, or retailers are eligible. The value of such items should be the lesser of cost or fair market value at the time of contribution.
- 4) Stocks and bonds may be donated and are valued at the stock market price (high value) on the date of transfer, however, they must be sold by the NFPO before credit will be approved for the donor.
- 5) Non-cash donations qualify only if the donated goods or services are specifically noted as line items in the approved NAP budget. Services are normally valued at the standard billing rate for non-profit clients. Items are valued at the lesser of either the fair market value or cost to the donor, and may include reasonable overhead costs incurred by the donor in making the contribution, such as transportation or shipping. In no case shall the amount of NAP donation include sales tax and/or profit margin.
- 6) Individuals qualify to receive credit for the donation of goods, services, or materials ONLY IF they pay tax on the income they receive for from the sale of those same goods, services, or materials (file schedule C, E or F for income derived). Items used in the course of conducting business (i.e. assets) may also be donated for credit by qualifying businesses.

Restrictions on NAP Donations (continued)

- 7) In order for credit to be given for the donation of buildings and other real estate, title must be held free and clear by the donor. Credit is based on the lesser of two independent appraisals conducted by state-certified or state-licensed appraisers. Appraisals must be performed no more than 18 months prior to date of donation. (Exceptions may be made at the discretion of the DEPARTMENT.) Only one appraisal is required, however, if the property is either a) commercial property whose appraised value is less than \$50,000 or b) vacant or residential property whose appraised value is less than \$25,000. Cost of appraisals may also be donated for NAP credit. You may contact the Missouri Real Estate Appraisers Commission in Jefferson City at 573-751-0038 to verify that a particular appraiser has met the qualifications to be state-certified or licensed.
- 8) Donations of partial ownership interest in real estate do not qualify for NAP credit (i.e. full title must be given to the NFPO in order for the donation to qualify for credit), nor will NAP contributions (i.e. cash) be used to acquire partial interest in real estate.
- 9) Donations of real or personal property with the intention that they will be resold by the NFPO will NOT qualify for NAP tax credits.
- 10) When a portion of donated real estate is to be used for activities covered under this Agreement, the NAP credit will be pro-rated according to space actually used for the NAP project.
- 11) If only a portion of the value of a non-cash gift is donated, NAP credit will be based upon the difference between the cost to the NFPO and the value of the donation if wholly donated.
- 12) A Phase I Environmental Inspection is required on all real estate donated for NAP credit or purchased by the NFPO, with the exception of existing residential structures. Cost of the inspection and study (including lab testing fees) may be donated for NAP credit. You may contact the Community Development Specialist in any of the field offices of the Department of Economic Development for a listing of those firms and inspectors who have been qualified by the State to conduct such studies.
- 13) Credit for the donation of technical assistance and other professional services is normally only allowed for services that benefit the organization itself, and not for direct services rendered to individual clients. For example, legal, accounting, or engineering services donated to the organization can qualify for credit, while donation of medical services to clients of the organization would not. If, however, such client services are rendered on an incidental and occasional basis, rather than being a regular ongoing component of the project, credit may be allowed at the discretion of the Department.
- 14) Dues that members pay to belong to your organization are not considered eligible NAP donations. However, dues that your organization pays for membership in other organizations are considered an allowable NAP cost.
- 15) Donations applied toward fundraising activities do not qualify for NAP credit (e.g. donated goods or services to be given away or auctioned, donated goods or services needed to carry out a fundraising event, donated services of professional fundraisers/development directors, or donated cash applied toward any of these expenses). Likewise, items given with the intention that they will be resold by the NFPO do not qualify for credit.

Restrictions on NAP Donations (continued)

- 16) When contribution consists of purchasing a ticket from the NFPO (e.g. for an event), the amount of actual donation is determined by subtracting from the ticket price the value of whatever is given to the donor in exchange for the ticket purchase (according to Internal Revenue Service guidelines).
- 17) Costs associated with producing printed or audio-visual materials qualify, provided the focus of those materials is on services provided by the NFPO rather than simply to promote a specific fundraising activity or event. A fundraising appeal may be included in the material.
- 18) Service and maintenance contracts, donated office space, and donated professional services for periods beyond the approved NAP fundraising period do not qualify for credit.
- 19) Donations only qualify for NAP credit if they are donated directly to the NFPO (e.g. donations to the City do not qualify).
- 20) With regard to job training projects, when a business makes a donation and is also directly benefiting by having work performed by trainees, NAP credit is only available to the extent that the donation exceeds the benefit derived (i.e. donation must exceed the amount of wages that would otherwise have been paid to the trainees).
- 21) A maximum of \$250,000 in NAP credits may be approved annually for a single donor. This represents the combined amount of credits approved for donations made by that donor to all NAP projects in the state of Missouri.
- 22) Donations for audit services are restricted to the review of the NAP fund. No other audit services will be allowed.